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RUEHMO/AMEMBASSY MOSCOW 0967
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RUEHSL/AMEMBASSY BRATISLAVA 0234
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SUBJECT: RUSSIAN MINISTER VISITS CROATIA TO DISCUSS SOUTH STREAM
PIPELINE AND DRUZBA ADRIA PROJECT

11. (U) Russian Emergency Situations Minister Dmitri Shoigu visited Zagreb on September 22 for a brief one-hour meeting with Deputy Prime Minister Damir Polancec. The goal of the visit was reportedly to discuss preparations for an upcoming meeting of the Croatia-Russia Intergovernmental Technical Commission for Trade, Economic, Scientific, and Technical Cooperation, which has been dormant for four years. The major topic of discussion was Croatian access to Russian energy sources. Shoigu reportedly told the Croatians that Russia was willing to revisit the Druzba Adria oil pipeline project, but was not willing to negotiate any changes to its terms. Previously, Croatia had proposed the pipeline be extended to Slovenia and Italy via Istria, rather than terminating on the island of Krk. The Croatians have environmental concerns about the Krk terminus due to the potential for increased tanker traffic along the Croatian coast.

12. (U) Shoigu also reiterated a Russian offer to connect Croatia to the planned South Stream gas pipeline to Italy. However, unidentified press sources claim Russia will link this offer to a successful final agreement on the Druzba Adria project. A senior strategic advisor at the INA national oil company confirmed to us that an eventual Croatian connection to South Stream was highly likely (should the pipeline be built), although the time-frame for the project is still 7 - 8 years out.

13. (SBU) Comment: According to the INA representative, Croatian demand for natural gas will grow to 6.5 bcm by 2015 and Croatia can supply only 3 bcm from domestic sources. For this reason, access to Russian energy supplies through either South Stream or Druzba Adria will continue to be of strong interest to the Croatians. A proposed LNG terminal on Krk could help significantly diversify supply, with or without connection to Russian sources. The terminal would reportedly reach a capacity of 6.5 bcm per annum by 2016. However, progress on that project continues to be slowed by Croatian foot-dragging on selecting a site, and continuing debates over whether Croatian participants, who will hold about 25 percent of the consortium, will have a veto on decisions related to the project. Even if the LNG project moves forward in earnest soon, however, Croatia will still have a major task ahead of it in locating and securing stable gas supplies for the terminal. END COMMENT.

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